

BASEL II – PILLAR III DISCLOSURES

| Contents | Page |
|--|-------------|
| Overview | 1 |
| Information on subsidiaries and significant investments | 4 |
| Consolidated capital structure | 5 |
| Capital adequacy | 6 |
| Capital requirement for market risk as per standardized approach | 9 |
| Gross credit exposure by currency | 10 |
| Gross credit exposure by geography | 11 |
| Gross credit exposure by economic activity | 13 |
| Gross credit exposure as per standardized approach | 15 |
| Gross credit exposure as per standardized approach (Rated / Unrated) | 17 |
| Exposure subject to deduction as per standardized approach (Rated / Unrated) | 19 |
| Credit risk mitigation as per standardized approach | 21 |
| Impaired financing by economic activity | 22 |
| Impaired financing by geography | 24 |
| Reconciliation of changes in provision for impaired financing | 26 |
| Quantitative disclosures for equity position in the banking book | 27 |
| Gross credit exposure by maturity | 32 |

OVERVIEW

In November 2009, The Central Bank of the United Arab Emirates (“CBUAE”) issued guidelines for implementation of Basel II Capital Accord in the banks in UAE. As per the circular, the Standardized Approach for Credit Risk was to apply immediately with an expectation that internationally active UAE banks and larger institutions will migrate to the Foundation Internal Rating Based (FIRB) in due course. The CBUAE Basel II framework is intended to strengthen the market discipline and risk management while enhancing the safety and soundness of the banking industry in UAE.

The guidelines for Pillar 1 – Calculation of Credit Risk pertain to the Standardized Approach of Basel II only. One of the major changes brought in with the new guidelines is the ability to apply, on an asset class basis, risk weightings determined from ratings provided by External Credit Assessment Institutions (“ECAI”) approved by CBUAE.

CBUAE requires the Pillar 2 – Supervisory Review Process to focus on each bank’s Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational risk Capital.

The purpose of Pillar 3 – Market Discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports the enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the institution. The Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by a bank, and provide a consistent and understandable disclosure framework that enhances transparency and comparability.

In compliance with the CBUAE guidelines and Basel II accord, these disclosures include information on the Group’s risk management objectives and policies, risk assessment processes and computation, capital management and capital adequacy.

OVERVIEW (continued)

Quantitative information on risk assessment (per standardized approach) includes:

- Risk weighted assets of the Group - credit risk, market risk and operational risk
- Credit risk profile of gross credit exposure by counterparty classifications, rated/unrated
- Profile of gross credit exposure by economic activity, geographical region and maturity
- Profile of credit risk mitigation by economic activity, geographical region and maturity
- Profile of impaired financing receivables by economic activity and geographical region

Information on capital adequacy includes:

- Capital adequacy computation
- Capital profile – Tier I and Tier II

Introduction

The CBUAE supervises Emirates Islamic Bank PJSC (the “Bank”) and its subsidiaries (together referred to as the “Group”) on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at a Group level using the Basel II framework of the Basel Committee on Banking Supervision (“Basel Committee”), after applying the amendments advised by the CBUAE, within national discretion. Basel II is structured around three ‘pillars’: minimum capital requirements (Pillar I); supervisory review process (Pillar II); and market discipline (Pillar III).

Pillar III disclosures 2016

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level.

Future Developments

The regulation and supervision of financial institutions is currently undergoing a period of ongoing change in response to the global financial crisis. Increased capital requirements and regulatory focus on Liquidity Risk have been announced by the Basel Committee in October 2010, commonly known as Basel III. These developments are being tracked by the Group and necessary dialogue conducted with the Central Bank of UAE, for timely changes to the Capital Management and Disclosure regimes.

Verification

The Pillar III Disclosures for the year 2016 have been appropriately verified internally and have been reviewed by the Group's statutory auditors.

Implementation of Basel II guidelines

The Group is compliant with Standardized Approach for Credit, Market and Operational Risk (Pillar I) with effect from 31 October 2007.

The Bank also assigns capital on other than Pillar I risk categories, for 'Profit Rate risk on Banking Book' and for 'Business Risk', within the Pillar II framework. Details on Pillar II methodologies are contained in the section – "Capital Management and Stress Testing" of this report.

Development on Advanced IRB Approaches (Credit Risk) is a multi-track initiative, the Group will complete migration to advanced approach upon publication of final CBUAE guidelines.

Group Structure

Emirates Islamic Bank PJSC (formerly Middle East Bank) (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3rd of October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10th of March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Sharia rules and principles. The entire process was completed on 9th of October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai, a company in which the Government of Dubai is the major shareholder. The Bank is listed in the Dubai Financial Market.

In addition to its head office in Dubai, the Bank operates through 61 branches in the UAE. The financial statements combine the activities of the Bank’s head office, its branches and the following subsidiaries (together referred to as “the Group”).

| | | Date of incorporation & country | Principal activity | Ownership % | |
|---------------------------------------|-----------|------------------------------------|------------------------------------|-------------|------|
| | | | | 2016 | 2015 |
| Emirates Islamic Brokerage Co. LLC | Financial | 26 April 2006, UAE | Financial brokerage services | 100% | 100% |
| EIB Sukuk Company Limited | | 6 June 2007, Cayman Islands | Special Purpose Entity | 100% | 100% |
| EI Funding Limited | | 15 May 2014, Cayman Islands | Special Purpose Entity | 100% | 100% |

The Bank provides full commercial and banking services and offers a variety of products through Islamic financing and investing instruments in accordance with Islamic Sharia.

The Bank’s registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

The Group consolidated financial statements for the year ended 31 December 2016 have been approved for issuance by the Board of Directors on 15 January 2017.

Consolidated Capital Structure

The Group’s regulatory capital is calculated as per the guidelines issued by CBUAE and it comprises:

- a. **Tier 1 Capital** which is considered as the core measure of the Group’s financial strength and includes share capital, reserves, and retained earnings and;
- b. **Tier 2 Capital** which consists of qualified subordinated debts and allowed portions of revaluation reserves & general provisions.

The Bank’s share capital as at 31 December 2016 comprised of 5,430,422,000 issued and fully paid shares of value AED 1 each. The detailed breakdown of the capital structure of the bank is as follows:

EMIRATES ISLAMIC BANK PJSC
 BASEL II – PILLAR III DISCLOSURES
 31 DECEMBER 2016

| Particulars | 2016 AED 000 | 2015 AED 000 |
|---|------------------|------------------|
| | ----- | ----- |
| Tier 1 Capital | | |
| 1. Paid up share capital/ common stock | 5,430,422 | 3,930,422 |
| 2. Reserves | - | - |
| a. Statutory reserve | 339,986 | 329,423 |
| b. Special reserve | - | - |
| c. General reserve | 898,963 | 839,033 |
| 3. Non-controlling interest in the equity of subsidiaries | - | - |
| 4. Innovative capital instruments | - | - |
| 5. Other capital instruments | - | - |
| 6. Surplus capital from insurance companies | - | - |
| Subtotal | 6,669,371 | 5,098,878 |
| Less: Deductions for regulatory calculation | | |
| Less: Deductions from Tier 1 capital | - | - |
| Tier 1 Capital - Subtotal (A) | 6,669,371 | 5,098,878 |
| Tier 2 Capital (B) | 533,133 | 482,222 |
| Less: Other deductions from capitals (C) | - | - |
| Tier 3 Capital (D) | - | - |
| Total eligible capital after deductions (A+B+C+D) | 7,202,504 | 5,581,100 |

Capital Adequacy

The Group's Capital Adequacy ratio as at 31 December 2016 was 16.05% and Tier 1 ratio was 14.86% (in 2015, the Capital Adequacy ratio was 13.22% and Tier 1 ratio 12.08%) against the regulatory requirement of minimum of 12% and 8% respectively. The Group ensures adherence to CBUAE requirements by monitoring its Capital Adequacy against higher internal limits.

Emirates Islamic is directly regulated by its local banking supervisor which sets and monitors its capital adequacy requirements. CBUAE also monitors the Capital Adequacy requirements of Emirates NBD at the Group level of which EI is a part of.

CAPITAL ADEQUACY (STANDARDISED APPROACH)

RISK WEIGHTED EXPOSURE

| | 2016 AED 000 | 2015 AED 000 |
|------------------|-------------------|-------------------|
| Credit risk | 41,098,300 | 38,907,946 |
| Market risk | 14,884 | 25,264 |
| Operational risk | 3,756,966 | 3,272,587 |
| Total | 44,870,150 | 42,205,797 |

| | 2016 Capital Charge AED 000 | 2015 Capital Charge AED 000 |
|--|-----------------------------------|-----------------------------------|
| Capital Requirements | | |
| Credit Risk | 4,931,796 | 4,668,953 |
| Market Risk | 1,786 | 3,032 |
| Operational Risk | 450,836 | 392,710 |
| Total Capital Requirements (Refer Note) | 5,384,418 | 5,064,695 |

CAPITAL ADEQUACY (STANDARDISED APPROACH)

| | 2016 | 2015 |
|-------------------------------------|---------------|---------------|
| Capital Ratio | | |
| Total for consolidated Group | 16.05% | 13.22% |
| Tier 1 ratio for consolidated group | 14.86% | 12.08% |

Note

Risk weighted assets as at 31 December 2016 were AED 44.87 billion and as at 31 December 2015 were AED 42.206 billion.

Standardized Approach – Credit risk & credit risk mitigation

Under Standardized Approach, all credit exposures are assessed according to the counterparty classifications and against the External Credit Assessment Institutions (“ECAI”) ratings as advised under national discretion (November 2009):

- Claims on sovereign and central banks in the GCC are risk weighted at 0%.
- Domestic currency claims on a non-commercial GCC Public Sector Enterprise (PSE) are treated as claims on their sovereigns if their central bank or monetary authority treats them as such. Foreign currency claims on such a PSE are risk weighted one grade less favorable than its sovereign i.e. 20% risk weight. Claims on other foreign PSEs are risk weighted one grade less favorable than its sovereign.
- Claims on commercial companies owned by a GCC sovereign or PSEs that operate as commercial organizations are treated as claims on a corporate and risk weighted in accordance with ratings from acceptable ECAIs.
- ECAI ratings are also used to determine the capital requirements against exposures to banks and financial institutions. The group uses option 2 (one of alternative risk weight and ECAI ratings matrices as prescribed in the Basel II accord) for determining the capital requirements in line with the supervisory discretion adopted by the CBUAE.
- Claims on corporate entities are risk weighted at prescribed risk weights applicable per the latest ECAI rating of the counterparty. Claims on unrated corporate entities are risk weighted at 100%.
- Consumer banking exposure is classified into ‘Qualified Residential Mortgage’, ‘Qualified regulatory retail portfolio’ and ‘Others’; per the CBUAE Basel II guidelines and are risk weighted at 35%, 75% and 100% respectively.
- All other assets are classified between ‘assets under higher risk categories’ and ‘others’; and risk weighted at prescribed risk weights.

For standardized capital adequacy calculations, the following rules are applied consistently to determine the appropriate ECAI ratings:

- Where more ECAI ratings of two acceptable rating agencies are available, the lower (worse) of the two is considered.
- Where the ECAI ratings are split evenly between all four rating agencies, the more conservative ratings are considered.
- Acceptable ECAI agencies are Moody’s, S&P, Fitch and Capital Intelligence.

Credit Risk

The total capital charge for credit risk as at 31 December 2016 is AED 4,931 million (2015: AED 4,667 million).

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH

| | 2016 | | 2015 | |
|---|---------------------------|---------------------------------|---------------------------|---------------------------------|
| | Gross Exposure AED 000 | Risk Weighted Assets AED 000 | Gross Exposure AED 000 | Risk Weighted Assets AED 000 |
| Claims on sovereigns | 11,875,475 | 29,755 | 7,286,334 | 17,527 |
| Claims on non-central government public sector entities | 439,833 | 11,654 | 337,796 | 11,337 |
| Claims on multi-lateral development banks | 14,514 | - | 14,584 | - |
| Claims on banks | 8,117,131 | 3,207,663 | 7,783,793 | 2,922,311 |
| Claims on securities firms | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 19,930,875 | 18,202,209 | 17,638,570 | 16,145,278 |
| Claims included in the regulatory retail portfolio | 13,512,003 | 10,383,921 | 12,330,175 | 9,242,327 |
| Claims secured by residential property | 7,031,906 | 5,350,107 | 5,234,614 | 4,013,172 |
| Claims secured by commercial real estate | 365,989 | 365,989 | 2,417,879 | 2,417,879 |
| Past due financing | 5,103,807 | 1,574,560 | 4,656,737 | 1,748,104 |
| Higher-risk categories | 207,993 | 311,989 | 45,664 | 68,495 |
| Other assets | 1,924,024 | 1,660,453 | 2,652,479 | 2,321,516 |
| Claims on securitized assets | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - |
| Total | 68,523,550 | 41,098,300 | 60,398,625 | 38,907,946 |

Market Risk

Market risks subject to capital charge are as follows:

- Profit Rate Risk
- Foreign Exchange Risk
- Equity Exposure Risk
- Commodity Risk
- Options Risk

Capital charge on profit rate risk and equity exposure risk is restricted to Bank's 'trading book', while capital charge on Foreign exchange risk applies on the bank's entire positions.

The total Capital requirement for Market Risk as at 31 December 2016 is AED 1,786 million (2015: AED 3,032 million) as detailed below:

CAPITAL REQUIREMENT FOR MARKET RISK AS PER STANDARDISED APPROACH

| | 2016 AED 000 | 2015 AED 000 |
|----------------------------------|-----------------|-----------------|
| | ----- | ----- |
| Profit rate risk | - | 749 |
| Equity position risk | - | - |
| Options risk | - | - |
| Foreign exchange risk | 1,786 | 2,283 |
| | ----- | ----- |
| Total capital requirement | 1,786 | 3,032 |
| | ===== | ===== |

Operational Risk

Basel II framework outlines three methods for calculating the risk charge for operational risk – Basic Indicator, Standardized Approach and Advanced Measurement Approach. The Group presently follows the Standardized Approach.

The total capital requirement for Operational Risk as at 31 December 2016 is AED 450.84 million (2015: AED 392.71 million). This charge is computed by categorizing the Group's activities into 8 business lines (as defined by Basel II guidelines) and multiplying the line's three year average gross income by a pre-defined beta factor.

RISK MANAGEMENT OBJECTIVES AND POLICIES

CREDIT RISK

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies on Credit risk

GROSS CREDIT EXPOSURE – CURRENCY CLASSIFICATION

31 DECEMBER 2016

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|---------------------|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|---|---------------------------------|-------------------|
| Foreign Currency | 1,797,908 | 823,130 | 6,877,542 | 9,498,580 | - | - | 1,312,847 | 1,312,847 | 10,811,427 |
| AED | 39,186,867 | - | 14,408,900 | 53,595,767 | 508,790 | - | 3,607,566 | 4,116,356 | 57,712,123 |
| Total | 40,984,775 | 823,130 | 21,286,442 | 63,094,347 | 508,790 | - | 4,920,413 | 5,429,203 | 68,523,550 |

31 DECEMBER 2015

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|---------------------|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|---|---------------------------------|-------------------|
| Foreign Currency | 1,083,105 | 1,444,183 | 6,083,869 | 8,611,157 | 348,356 | - | 982,380 | 1,330,736 | 9,941,893 |
| AED | 37,004,745 | 18,627 | 10,911,698 | 47,935,070 | 56,564 | - | 2,465,098 | 2,521,662 | 50,456,732 |
| Total | 38,087,850 | 1,462,810 | 16,995,567 | 56,546,227 | 404,920 | - | 3,447,478 | 3,852,398 | 60,398,625 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Investment securities [net of Sukuk], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below:

GROSS CREDIT EXPOSURE BY GEOGRAPHY

31 DECEMBER 2016

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|-----------------------------------|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|---|---------------------------------|-------------------|
| United Arab Emirates | 39,611,646 | 114,069 | 19,399,167 | 59,124,882 | 508,790 | - | 4,815,083 | 5,323,873 | 64,448,755 |
| GCC excluding UAE | 1,327,505 | 112,796 | 620,723 | 2,061,024 | - | - | 10,352 | 10,352 | 2,071,376 |
| Arab League (excluding GCC) | 39,029 | - | 11,242 | 50,271 | - | - | 84,491 | 84,491 | 134,762 |
| Asia | 929 | - | 157,389 | 158,318 | - | - | 7,101 | 7,101 | 165,419 |
| Africa | - | - | - | - | - | - | - | - | - |
| North America | - | - | 389,288 | 389,288 | - | - | - | - | 389,288 |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | 3,443 | 183,093 | 707,825 | 894,361 | - | - | 3,386 | 3,386 | 897,747 |
| Australia | - | - | - | - | - | - | - | - | - |
| Others | 2,223 | 413,172 | 808 | 416,203 | - | - | - | - | 416,203 |
| Total | 40,984,775 | 823,130 | 21,286,442 | 63,094,347 | 508,790 | - | 4,920,413 | 5,429,203 | 68,523,550 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Investment securities [net of Sukuk], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (continued):

GROSS CREDIT EXPOSURE BY GEOGRAPHY (continued)

31 DECEMBER 2015

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|--------------------------------|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|---|---------------------------------|-------------------|
| United Arab Emirates | 37,327,013 | 359,362 | 15,983,255 | 53,669,630 | 404,920 | - | 3,389,391 | 3,794,311 | 57,463,941 |
| GCC excluding UAE | 485,888 | 120,468 | 523,041 | 1,129,397 | - | - | 493 | 493 | 1,129,890 |
| Arab League (excluding GCC) | - | - | 9,844 | 9,844 | - | - | - | - | 9,844 |
| Asia | 143,527 | 257,542 | 225,244 | 626,313 | - | - | 55,753 | 55,753 | 682,066 |
| Africa | - | - | - | - | - | - | - | - | - |
| North America | - | - | 68,123 | 68,123 | - | - | - | - | 68,123 |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | 77,063 | 201,393 | 184,435 | 462,891 | - | - | 1,769 | 1,769 | 464,660 |
| Australia | - | - | - | - | - | - | - | - | - |
| Others | 54,359 | 524,045 | 1,625 | 580,029 | - | - | 72 | 72 | 580,101 |
| Total | 38,087,850 | 1,462,810 | 16,995,567 | 56,546,227 | 404,920 | - | 3,447,478 | 3,852,398 | 60,398,625 |

EMIRATES ISLAMIC BANK P.JSC
 BASEL II – PILLAR III DISCLOSURES
 31 DECEMBER 2016

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (continued):

GROSS CREDIT EXPOSURE BY ECONOMIC ACTIVITY

31 DECEMBER 2016

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|--|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|--|---------------------------------|-------------------|
| Agriculture, fishing & related activities | 32,508 | - | - | 32,508 | - | - | 280 | 280 | 32,788 |
| Crude, oil gas, mining & quarrying | - | - | - | - | - | - | - | - | - |
| Manufacturing | 596,415 | - | - | 596,415 | 8,700 | - | 152,404 | 161,104 | 757,519 |
| Construction | 798,385 | 11,476 | - | 809,861 | 34,240 | - | 1,179,552 | 1,213,792 | 2,023,653 |
| Trade | 2,901,580 | - | - | 2,901,580 | 142,000 | - | 409,234 | 551,234 | 3,452,814 |
| Transport, Storage & Communication | 355,622 | - | - | 355,622 | - | - | 33,692 | 33,692 | 389,314 |
| Financial Institutions and Investment companies | 1,334,745 | 593,105 | 8,101,309 | 10,029,159 | - | - | 247,299 | 247,299 | 10,276,458 |
| Real Estate | 5,241,286 | - | 784,798 | 6,026,084 | 9,000 | - | 68,588 | 77,588 | 6,103,672 |
| Services | 3,527,329 | 58,269 | - | 3,585,598 | 70,140 | - | 1,382,295 | 1,452,435 | 5,038,033 |
| Sovereign | 241,308 | 145,767 | - | 387,075 | - | - | - | - | 387,075 |
| Personal | 21,999,600 | - | - | 21,999,600 | 6,455 | - | 132,295 | 138,750 | 22,138,350 |
| All Others | 2,812,094 | 14,513 | 12,400,335 | 15,226,942 | 238,255 | - | 1,314,774 | 1,553,029 | 16,779,971 |
| Add: Grossing up of profit in suspense | 1,143,903 | - | - | 1,143,903 | - | - | - | - | 1,143,903 |
| Total | 40,984,775 | 823,130 | 21,286,442 | 63,094,347 | 508,790 | - | 4,920,413 | 5,429,203 | 68,523,550 |

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (continued):

GROSS CREDIT EXPOSURE BY ECONOMIC ACTIVITY (continued)

31 DECEMBER 2015

| | Financing Receivables AED 000 | Sukuk AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off- balance sheet exposures AED 000 | Total non- funded AED 000 | Total AED 000 |
|---|-------------------------------------|------------------|-------------------------|-------------------------|------------------------|-------------------------------|--|---------------------------------|-------------------|
| Agriculture, fishing & related activities | 17,277 | - | - | 17,277 | - | - | 345 | 345 | 17,622 |
| Crude, oil gas, mining & quarrying | - | - | - | - | - | - | - | - | - |
| Manufacturing | 775,473 | - | - | 775,473 | - | - | 302,017 | 302,017 | 1,077,490 |
| Construction | 1,084,061 | 144,322 | - | 1,228,383 | - | - | 1,033,652 | 1,033,652 | 2,262,035 |
| Trade | 2,590,164 | - | - | 2,590,164 | 404,920 | - | 284,121 | 689,041 | 3,279,205 |
| Transport, Storage & Communication | 215,502 | 74,322 | - | 289,824 | - | - | 85,926 | 85,926 | 375,750 |
| Financial Institutions and Investment companies | 1,118,299 | 633,264 | 7,871,233 | 9,622,796 | - | - | 142,149 | 142,149 | 9,764,945 |
| Real Estate | 4,460,350 | - | 274,777 | 4,735,127 | - | - | 5,205 | 5,205 | 4,740,332 |
| Services | 3,360,957 | - | 51,000 | 3,411,957 | - | - | 818,906 | 818,906 | 4,230,863 |
| Sovereign | 345,312 | 462,608 | - | 807,920 | - | - | 43,689 | 43,689 | 851,609 |
| Personal | 21,229,935 | - | - | 21,229,935 | - | - | 18,224 | 18,224 | 21,248,159 |
| All Others | 1,919,217 | 148,294 | 8,798,557 | 10,866,068 | - | - | 713,244 | 713,244 | 11,579,312 |
| Add: Grossing up of profit in suspense | 971,303 | - | - | 971,303 | - | - | - | - | 971,303 |
| Total | 38,087,850 | 1,462,810 | 16,995,567 | 56,546,227 | 404,920 | - | 3,447,478 | 3,852,398 | 60,398,625 |

The Gross Credit Exposures as per Standardized Approach with the effect of CRM as detailed below:

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH

31 DECEMBER 2016

| | On Balance Sheet | | Off Balance Sheet | | Total Gross Exposure | | Credit Risk Mitigation (CRM) | | After CRM | | Risk Weighted Assets |
|---|-------------------|---------|--|---------|----------------------|---------|------------------------------|------------------|-------------------|---------|----------------------|
| | Gross Outstanding | AED 000 | Net Exposure after Credit Conversion Factors (CCF) | AED 000 | AED 000 | AED 000 | Exposure Before CRM | AED 000 | AED 000 | AED 000 | |
| Claims on sovereigns | 11,875,475 | | - | | 11,875,475 | | 11,875,475 | | 11,875,475 | | 29,755 |
| Claims on non-central government public sector entities | 439,833 | | - | | 439,833 | | 439,833 | | 439,833 | | 11,654 |
| Claims on multi-lateral development banks | 14,514 | | - | | 14,514 | | 14,514 | | 14,514 | | - |
| Claims on banks | 8,117,131 | | - | | 8,117,131 | | 8,117,131 | | 8,117,131 | | 3,207,663 |
| Claims on securities firms | - | | - | | - | | - | | - | | - |
| Claims on corporate and Government related entities (GRE) | 14,501,672 | | 5,429,203 | | 19,930,875 | | 19,930,875 | 1,677,425 | 18,253,450 | | 18,202,209 |
| Claims included in the regulatory retail portfolio | 13,512,003 | | - | | 13,512,003 | | 13,512,003 | 5,817 | 13,506,186 | | 10,383,921 |
| Claims secured by residential property | 7,031,906 | | - | | 7,031,906 | | 7,031,906 | - | 7,031,906 | | 5,350,107 |
| Claims secured by commercial real estate | 365,989 | | - | | 365,989 | | 365,989 | - | 365,989 | | 365,989 |
| Past due financing | 5,103,807 | | - | | 5,103,807 | | 1,306,875 | - | 1,306,875 | | 1,574,560 |
| Higher-risk categories | 207,993 | | - | | 207,993 | | 207,993 | - | 207,993 | | 311,989 |
| Other assets | 1,924,024 | | - | | 1,924,024 | | 1,924,024 | - | 1,924,024 | | 1,660,453 |
| Claims on securitized assets | - | | - | | - | | - | - | - | | - |
| Credit derivatives (Banks selling position) | - | | - | | - | | - | - | - | | - |
| Total | 63,094,347 | | 5,429,203 | | 68,523,550 | | 64,726,618 | 1,683,242 | 63,043,376 | | 41,098,300 |

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (continued)

31 DECEMBER 2015

| | On Balance Sheet | | Off Balance Sheet Net Exposure after Credit Conversion Factors (CCF) AED 000 | Total Gross Exposure AED 000 | | Credit Risk Mitigation (CRM) | | Risk Weighted Assets AED 000 |
|---|---------------------------------|-----------------------------------|---|------------------------------------|----------------------|---------------------------------|-------------------|------------------------------------|
| | Gross Outstanding AED 000 | Exposure Before CRM AED 000 | | CRM AED 000 | After CRM AED 000 | | | |
| Claims on sovereigns | 7,286,334 | 7,286,334 | - | 7,286,334 | - | 7,286,334 | 17,527 | |
| Claims on non-central government public sector entities | 337,796 | 337,796 | - | 337,796 | - | 337,796 | 11,337 | |
| Claims on multi-lateral development banks | 14,584 | 14,584 | - | 14,584 | - | 14,584 | - | |
| Claims on banks | 7,783,793 | 7,783,793 | - | 7,783,793 | - | 7,783,793 | 2,922,311 | |
| Claims on securities firms | - | - | - | - | - | - | - | |
| Claims on corporate and Government related entities (GRE) | 13,786,173 | 17,638,570 | 3,852,397 | 17,638,570 | 1,338,104 | 16,300,466 | 16,145,278 | |
| Claims included in the regulatory retail portfolio | 12,330,175 | 12,330,175 | - | 12,330,175 | 7,073 | 12,323,102 | 9,242,327 | |
| Claims secured by residential property | 5,234,614 | 5,234,614 | - | 5,234,614 | - | 5,234,614 | 4,013,172 | |
| Claims secured by commercial real estate | 2,417,879 | 2,417,879 | - | 2,417,879 | - | 2,417,879 | 2,417,879 | |
| Past due financing | 4,656,737 | 4,656,737 | - | 4,656,737 | - | 1,442,646 | 1,748,104 | |
| Higher-risk categories | 45,664 | 45,664 | - | 45,664 | - | 45,664 | 68,495 | |
| Other assets | 2,652,479 | 2,652,479 | - | 2,652,479 | - | 2,652,479 | 2,321,516 | |
| Claims on securitized assets | - | - | - | - | - | - | - | |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - | - | |
| Total | 56,546,228 | 60,398,625 | 3,852,397 | 60,398,625 | 1,345,177 | 55,839,357 | 38,907,946 | |

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (RATED/ UNRATED)

31 DECEMBER 2016

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|------------------|--------------------|------------------------------------|-----------------------------------|----------------------|------------------------------------|
| Claims on sovereigns | 234,942 | 11,640,533 | 11,875,475 | 11,875,475 | 11,875,475 | 29,755 |
| Claims on non-central government public sector entities | 58,269 | 381,564 | 439,833 | 439,833 | 439,833 | 11,654 |
| Claims on multi-lateral development banks | 14,514 | - | 14,514 | 14,514 | 14,514 | - |
| Claims on banks | 361,936 | 7,755,195 | 8,117,131 | 8,117,131 | 8,117,131 | 3,207,663 |
| Claims on securities firms | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 125,654 | 19,805,221 | 19,930,875 | 19,930,875 | 18,253,450 | 18,202,209 |
| Claims included in the regulatory retail portfolio | - | 13,512,003 | 13,512,003 | 13,512,003 | 13,506,186 | 10,383,921 |
| Claims secured by residential property | - | 7,031,906 | 7,031,906 | 7,031,906 | 7,031,906 | 5,350,107 |
| Claims secured by commercial real estate | - | 365,989 | 365,989 | 365,989 | 365,989 | 365,989 |
| Past due financing | - | 5,103,807 | 5,103,807 | 1,306,875 | 1,306,875 | 1,574,560 |
| Higher-risk categories | - | 207,993 | 207,993 | 207,993 | 207,993 | 311,989 |
| Other assets | 5,185 | 1,918,839 | 1,924,024 | 1,924,024 | 1,924,024 | 1,660,453 |
| Claims on securitized assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | 800,500 | 67,723,050 | 68,523,550 | 64,726,618 | 63,043,376 | 41,098,300 |

GROSS CREDIT EXPOSURE AS PER STANDARD DISED APPROACH (RATED/ UNRATED) (continued)

| | Rated | Unrated | Total Gross Exposure | Exposure Before CRM | After CRM | Risk Weighted Assets |
|---|------------------|-------------------|----------------------|---------------------|-------------------|----------------------|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| 31 DECEMBER 2015 | | | | | | |
| Claims on sovereigns | 361,623 | 6,924,711 | 7,286,334 | 7,286,334 | 7,286,334 | 17,527 |
| Claims on non-central government public sector entities | 56,687 | 281,109 | 337,796 | 337,796 | 337,796 | 11,337 |
| Claims on multi-lateral development banks | 14,584 | - | 14,584 | 14,584 | 14,584 | - |
| Claims on banks | 411,078 | 7,372,715 | 7,783,793 | 7,783,793 | 7,783,793 | 2,922,311 |
| Claims on securities firms | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 538,555 | 17,100,015 | 17,638,570 | 17,638,570 | 16,300,466 | 16,145,278 |
| Claims included in the regulatory retail portfolio | - | 12,330,175 | 12,330,175 | 12,330,175 | 12,323,102 | 9,242,327 |
| Claims secured by residential property | - | 5,234,614 | 5,234,614 | 5,234,614 | 5,234,614 | 4,013,172 |
| Claims secured by commercial real estate | - | 2,417,879 | 2,417,879 | 2,417,879 | 2,417,879 | 2,417,879 |
| Past due financing | - | 4,656,737 | 4,656,737 | 1,442,646 | 1,442,646 | 1,748,104 |
| Higher-risk categories | - | 45,664 | 45,664 | 45,664 | 45,664 | 68,495 |
| Other assets | 5,947 | 2,646,532 | 2,652,479 | 2,652,479 | 2,652,479 | 2,321,516 |
| Claims on securitized assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | 1,388,474 | 59,010,151 | 60,398,625 | 57,184,534 | 55,839,357 | 38,907,946 |

EXPOSURE SUBJECT TO DEDUCTION AS PER STANDARDISED APPROACH (RATED/ UNRATED)

31 DECEMBER 2016

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|------------------|--------------------|------------------------------------|-----------------------------------|----------------------|------------------------------------|
| Claims on sovereigns | - | - | - | - | - | - |
| Claims on non-central government public sector entities | - | - | - | - | - | - |
| Claims on multi-lateral development banks | - | - | - | - | - | - |
| Claims on banks | - | - | - | - | - | - |
| Claims on securities firms | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | - | 5,172,813 | 5,172,813 | 5,172,813 | 3,495,388 | 3,495,388 |
| Claims included in the regulatory retail portfolio | - | 5,817 | 5,817 | 5,817 | - | - |
| Claims secured by residential property | - | - | - | - | - | - |
| Claims secured by commercial real estate | - | - | - | - | - | - |
| Past due financing | - | - | - | - | - | - |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Claims on securitized assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | - | 5,178,630 | 5,178,630 | 5,178,630 | 3,495,388 | 3,495,388 |

EXPOSURE SUBJECT TO DEDUCTION AS PER STANDARD DISED APPROACH (RATED/ UNRATED) (continued)

31 DECEMBER 2015

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|------------------|--------------------|------------------------------------|-----------------------------------|----------------------|------------------------------------|
| Claims on sovereigns | - | - | - | - | - | - |
| Claims on non-central government public sector entities | - | - | - | - | - | - |
| Claims on multi-lateral development banks | - | - | - | - | - | - |
| Claims on banks | - | - | - | - | - | - |
| Claims on securities firms | - | 3,909,899 | 3,909,899 | 3,909,899 | 2,571,795 | 2,571,795 |
| Claims on corporate and Government related entities (GRE) | - | 7,073 | 7,073 | 7,073 | - | - |
| Claims included in the regulatory retail portfolio | - | - | - | - | - | - |
| Claims secured by residential property | - | - | - | - | - | - |
| Claims secured by commercial real estate | - | - | - | - | - | - |
| Past due financing | - | - | - | - | - | - |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Claims on securitized assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | - | 3,916,972 | 3,916,972 | 3,916,972 | 2,571,795 | 2,571,795 |

CREDIT RISK MITIGATION AS PER STANDARDISED APPROACH

| | 2016 | | 2015 | |
|---|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | Gross credit exposure (AED 000) | Risk weighted assets (AED 000) | Gross credit exposure (AED 000) | Risk weighted assets (AED 000) |
| Gross exposure prior to credit risk mitigation | 68,523,550 | 46,578,474 | 60,398,625 | 43,467,213 |
| Exposure covered by on-balance sheet netting | 3,962,840 | 3,962,840 | 3,430,893 | 3,430,892 |
| Exposure covered by eligible financial collateral | 1,517,334 | 1,517,334 | 1,128,375 | 1,128,375 |
| Exposures covered by Guarantees | - | - | - | - |
| Net exposure after credit risk mitigation | 63,043,376 | 41,098,300 | 55,839,357 | 38,907,946 |

The details of impaired financing by Geography and Economic Activity are as below:

IMPAIRED FINANCING BY ECONOMIC ACTIVITY

31 DECEMBER 2016

| | Overdue (Gross of Profit in Suspense/ Provisions) | | Provisions | | Adjustments | | Profit in Suspense AED 000 | Total Impaired Assets AED 000 |
|---|--|---------------------------------|---------------------|--------------------|-----------------------|------------------------|----------------------------------|--|
| | Less than 90 days AED 000 | 90 days and above AED 000 | Specific AED 000 | General AED 000 | Write-offs AED 000 | Write-backs AED 000 | | |
| Agriculture, fishing & related activities | - | - | - | - | - | - | - | - |
| Crude, oil gas, mining & quarrying | - | - | - | - | - | - | - | - |
| Manufacturing | - | 85,010 | 83,377 | - | - | 43 | 1,621 | 11 |
| Construction | - | 237,673 | 98,638 | - | - | - | 4,118 | 134,917 |
| Trade | - | 560,424 | 531,182 | - | - | 3,642 | 29,121 | 121 |
| Transport, Storage & Communication | - | 5,976 | 5,153 | - | - | 289 | 577 | 246 |
| Financial Institutions | - | 403,986 | 146,423 | - | - | 176,390 | 39,328 | 218,235 |
| Real Estate | - | 1,397,412 | 801,555 | - | - | 110,416 | 312,448 | 283,408 |
| Services | - | 724,339 | 453,923 | - | - | 9,878 | 29,279 | 241,138 |
| Sovereign | - | - | - | - | - | - | - | - |
| Personal | - | 1,390,474 | 261,934 | - | 833,629 | 98,229 | 713,806 | 414,733 |
| All Others | - | 300,246 | 270,843 | - | - | 192,186 | 13,605 | 14,067 |
| Total | - | 5,105,540 | 2,653,028 | - | 833,629 | 591,073 | 1,143,903 | 1,306,876 |

IMPAIRED FINANCING BY ECONOMIC ACTIVITY (continued)

31 DECEMBER 2015

| | Overdue (Gross of Profit in Suspense/ Provisions) | | Total AED 000 | Provisions | | Adjustments | | Profit in Suspense AED 000 | Total Impaired Assets AED 000 |
|---|--|---------------------------------|------------------|---------------------|--------------------|-----------------------|----------------------------|----------------------------------|--|
| | Less than 90 days AED 000 | 90 days and above AED 000 | | Specific AED 000 | General AED 000 | Write-offs AED 000 | Write- backs AED 000 | | |
| Agriculture, fishing & related activities | - | - | - | - | - | - | - | - | - |
| Crude, oil gas, mining & quarrying | - | - | - | - | - | - | - | - | - |
| Manufacturing | - | 59,496 | 59,496 | - | 1,213 | 14,634 | - | - | 50,468 |
| Electricity and water | - | - | - | - | - | - | - | - | - |
| Construction | - | 85,775 | 85,775 | - | 10,888 | - | 2,995 | 10,733 | 10,733 |
| Trade | - | 456,810 | 456,810 | - | 45,519 | 32,021 | 18,724 | 84,892 | 84,892 |
| Transport, Storage & Communication | - | 5,536 | 5,536 | - | 1,343 | - | 269 | 275 | 275 |
| Financial Institutions | - | 421,691 | 421,691 | - | 37,074 | 5,200 | 31,684 | 67,194 | 67,194 |
| Real Estate | - | 1,663,807 | 1,663,807 | - | 10,322 | 54,713 | 282,874 | 474,934 | 474,934 |
| Services | - | 552,777 | 552,777 | - | 37,492 | 37,668 | 42,644 | 287,920 | 287,920 |
| Sovereign | - | - | - | - | - | - | - | - | - |
| Personal | - | 681,077 | 681,077 | - | 395,587 | 121,546 | 4,552 | 386,449 | 386,449 |
| All Others | - | 142,950 | 142,950 | - | 8,926 | 11,931 | 744 | 79,780 | 79,780 |
| Total | - | 4,069,919 | 4,069,919 | - | 548,364 | 277,713 | 384,486 | 1,442,645 | 1,442,645 |

IMPAIRED FINANCING BY GEOGRAPHY

31 DECEMBER 2016

| | Overdue (Gross of Profit in Suspense/ Provisions) | | | | | | Adjustments | Profit in Suspense AED 000 | Total Impaired Assets AED 000 |
|-----------------------------|--|------------------|----------------------|------------------|----------|----------------|------------------|----------------------------------|--|
| | Less than 90 days | | 90 days and above | | Total | | | | |
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | | | |
| United Arab Emirates | - | 4,923,131 | 4,923,131 | 2,472,567 | - | 833,629 | 1,142,696 | 1,306,135 | |
| GCC excluding UAE | - | 144,738 | 144,738 | 141,461 | - | - | 845 | 2,432 | |
| Arab League (excluding GCC) | - | 37,671 | 37,671 | 39,000 | - | - | 362 | (1,691) | |
| Asia | - | - | - | - | - | - | - | - | |
| Africa | - | - | - | - | - | - | - | - | |
| North America | - | - | - | - | - | - | - | - | |
| South America | - | - | - | - | - | - | - | - | |
| Caribbean | - | - | - | - | - | - | - | - | |
| Europe | - | - | - | - | - | - | - | - | |
| Australia | - | - | - | - | - | - | - | - | |
| Others | - | - | - | - | - | - | - | - | |
| Total | - | 5,105,540 | 5,105,540 | 2,653,028 | - | 833,629 | 1,143,903 | 1,306,876 | |

IMPAIRED FINANCING BY GEOGRAPHY (continued)

31 DECEMBER 2015

| | Overdue (Gross of Profit in Suspense/ Provisions) | | Provisions | | Adjustments | | Profit in Suspense AED 000 | Total Impaired Assets AED 000 |
|-----------------------------|--|---------------------------------|---------------------|--------------------|-----------------------|------------------------|----------------------------------|--|
| | Less than 90 days AED 000 | 90 days and above AED 000 | Specific AED 000 | General AED 000 | Write-offs AED 000 | Write-backs AED 000 | | |
| United Arab Emirates | - | 3,882,049 | 2,093,060 | - | 507,847 | 277,513 | 384,428 | 1,404,561 |
| GCC excluding UAE | - | 150,050 | 149,728 | - | 37,074 | 200 | 58 | 264 |
| Arab League (excluding GCC) | - | - | - | - | - | - | - | - |
| Asia | - | 37,820 | - | - | 3,443 | - | - | 37,820 |
| Africa | - | - | - | - | - | - | - | - |
| North America | - | - | - | - | - | - | - | - |
| South America | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - |
| Europe | - | - | - | - | - | - | - | - |
| Australia | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| Total | - | 4,069,919 | 2,242,788 | - | 548,364 | 277,713 | 384,486 | 1,442,645 |

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED FINANCING

| | 2016 AED 000 | 2015 AED 000 |
|---|-------------------------------|-------------------------------|
| | ----- | ----- |
| Balance of provision for impaired financing as at 1 January | 2,242,788 | 2,002,979 |
| Add: Charge for the year | | |
| Specific Provisions | 1,808,826 | 987,440 |
| General Provisions | - | - |
| Less: Write-off of impaired financing | 833,629 | - |
| Less: Recovery of financing previously written off | - | - |
| Less: Write back / Recovery of loan loss provisions | 591,073 | 826,077 |
| Less: Adjustments of loan loss provisions | (26,116) | (78,446) |
| | ----- | ----- |
| Balance of provision for impaired financing as at 31 December | 2,653,028 | 2,242,788 |
| | ===== | ===== |

RISK MANAGEMENT OBJECTIVES AND POLICIES

MARKET RISK

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives.

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK

31 DECEMBER 2016

(a) Quantitative Details of Equity Position

| Type | FS Category (AFS/FVPL) | Basel II Category (Banking book) | Publicly Traded | Current Year Privately Held | AED 000 |
|-------------------------------|---------------------------|-------------------------------------|-----------------|--------------------------------|---------|
| Equities | 448,091 | 448,091 | 54,234 | 393,857 | |
| Collective investment schemes | - | - | - | - | |
| Any other investment | 207,993 | 207,993 | 25 | 207,968 | |
| Total | 656,084 | 656,084 | 54,259 | 601,825 | |

(b) Realized, Unrealized & Latent revaluation gains/ (losses) during the year

| Particulars | AED 000 |
|--|----------------|
| Gains (Losses) | AFS |
| Realized gains (losses) from sale and liquidations | - |
| Unrealized gains (losses) recognized in the balance sheet but not through profit and loss account | - |
| Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet or profit and loss account | (4,910) |
| Total | (4,910) |

(c) Items in (b) above included in Tier I/ Tier II Capital

| Tier Capital | AED 000 |
|---|----------------|
| Amount included in Tier I capital (realized gains) | - |
| Amount included in Tier II capital (unrealised gains) | (4,910) |
| Total | (4,910) |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (Continued)

31 DECEMBER 2016

(d) Capital requirements by Equity groupings

| Grouping | AED 000 |
|--|----------------|
| Amount | |
| Investments in associates and joint ventures | - |
| Investment Securities | 78,730 |
| Held for Trading | - |
| Total capital requirement | 78,730 |

(e) Equity Investments (Quoted/ Unquoted) - Including private equity investments

| Particulars | Banking Book (Per Basel II Definition) | Trading Book (Per Basel II Definition) | AED 000 |
|--------------------|---|---|----------------|
| Quoted | 54,259 | - | - |
| Unquoted | 601,825 | - | - |
| Total | 656,084 | - | - |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (continued)

31 DECEMBER 2015

(a) Quantitative Details of Equity Position

| Type | FS Category (AFS/FVPL) | Basel II Category (Banking book) | AED 000 | |
|-------------------------------|---------------------------|-------------------------------------|-----------------|----------------|
| | | | Publicly Traded | Privately Held |
| Equities | 549,410 | 549,410 | 60,813 | 488,597 |
| Collective investment schemes | - | - | - | - |
| Any other investment | 274,884 | 274,884 | - | 274,884 |
| Total | 824,294 | 824,294 | 60,813 | 763,481 |

(b) Realized, Unrealized & Latent revaluation gains/ (losses) during the year

| Particulars | AED 000 |
|--|---------------|
| Gains (Losses) | AFS |
| Realized gains (losses) from sale and liquidations | - |
| Unrealized gains (losses) recognized in the balance sheet but not through profit and loss account | - |
| Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet or profit and loss account | 15,124 |
| Total | 15,124 |

(c) Items in (b) above included in Tier I/ Tier II Capital

| Tier Capital | AED 000 |
|---|---------------|
| Amount included in Tier I capital (realized gains) | - |
| Amount included in Tier II capital (unrealised gains) | 15,124 |
| Total | 15,124 |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (Continued)

31 DECEMBER 2015

(d) Capital requirements by Equity groupings

| | AED 000 |
|--|---------------|
| Grouping | Amount |
| Investments in associates and joint ventures | - |
| Investment Securities | 98,915 |
| Held for Trading | - |
| Total capital requirement | 98,915 |

(e) Equity Investments (Quoted/ Unquoted) - Including private equity investments

| | Banking Book (Per Basel II Definition) | Trading Book (Per Basel II Definition) | AED 000 |
|--------------------|---|---|----------|
| Particulars | | | |
| Quoted | 60,813 | - | - |
| Unquoted | 763,481 | - | - |
| Total | 824,294 | - | - |

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign Exchange Risk

Foreign exchange risk hedging strategies are used to ensure that positions are always within established limits. The Group has a conservative policy towards foreign exchange risk and has set limits on positions by currency. Foreign exchange risk is measured using position reports showing the net long or short position for currencies, which are monitored on a real-time basis. Foreign exchange risk is actively managed using spot and forward foreign exchange instruments.

The capital requirement for foreign exchange risk as at 31 December 2016 is AED 1.79 million (as at 31 December 2015 is AED 2.28 million).

Operational Risk

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for Operational risk.

Liquidity Risk

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for Liquidity risk.

The following table lists the Group's exposures by Residual Maturity:

31 DECEMBER 2016

| | Financing Receivables | Sukuk | Other assets | Total funded | Commitments | OTC derivatives | Other off- balance sheet exposures | Total non- funded | Total |
|--|--------------------------|----------------|-------------------|-------------------|----------------|--------------------|---|----------------------|-------------------|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| Less than 3 months | 5,418,189 | 91,812 | 15,196,904 | 20,706,905 | 508,790 | - | 2,632,343 | 3,141,133 | 23,848,038 |
| 3 months to 1 year | 3,120,903 | 191,085 | 2,347,189 | 5,659,177 | - | - | 1,716,765 | 1,716,765 | 7,375,942 |
| 1 year to 5 years | 16,283,896 | 417,964 | 1,873,901 | 18,575,761 | - | - | 571,290 | 571,290 | 19,147,051 |
| Over 5 years | 12,364,856 | 122,269 | 1,868,448 | 14,355,573 | - | - | 15 | 15 | 14,355,588 |
| Add: Grossing up of profit in suspense & provisions | 3,796,931 | - | - | 3,796,931 | - | - | - | - | 3,796,931 |
| Total | 40,984,775 | 823,130 | 21,286,442 | 63,094,342 | 508,790 | - | 4,920,413 | 5,429,203 | 68,523,550 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Investment securities [net of Sukuk], Investment properties, Investment in associate and joint ventures, Property & Equipment & Other Assets.

31 DECEMBER 2015

| | Financing Receivables | Sukuk | Other assets | Total funded | Commitments | OTC derivatives | Other off- balance sheet exposures | Total non- funded | Total |
|--|--------------------------|------------------|-------------------|-------------------|----------------|--------------------|---|----------------------|-------------------|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| Less than 3 months | 5,399,642 | 110,190 | 12,213,982 | 17,723,814 | 404,920 | - | 1,726,254 | 2,131,174 | 19,854,988 |
| 3 months to 1 year | 3,030,063 | 46,079 | 476,327 | 3,552,469 | - | - | 1,380,850 | 1,380,850 | 4,933,319 |
| 1 year to 5 years | 15,199,627 | 814,085 | 4,305,258 | 20,318,970 | - | - | 338,874 | 338,874 | 20,657,844 |
| Over 5 years | 11,244,428 | 492,456 | - | 11,736,884 | - | - | 1,500 | 1,500 | 11,738,384 |
| Add: Grossing up of profit in suspense & provisions | 3,214,090 | - | - | 3,214,090 | - | - | - | - | 3,214,090 |
| Total | 38,087,850 | 1,462,810 | 16,995,567 | 56,546,227 | 404,920 | - | 3,447,478 | 3,852,398 | 60,398,625 |

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Reputational Risk

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for reputation risk.

Regulatory/Compliance Risk

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for Regulatory/compliance risk.

Business Risk

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for Business risk.

Capital management policies and stress testing

Please refer Note no. 33 in the annual financial statements for detailed risk management objectives and policies for Capital management policies and stress testing.

